

Message Text

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ACTION EB-04

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TO SECSTATE WASHDC 2776

C O N F I D E N T I A L DOHA 0825

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, EINV, QA, US

SUBJECT: PROPOSED JOINT US-QATARI VENTURE FOR OIL REFINERY
IN UPSTATE NEW YORK

1. SUMMARY: WE HAVE BEEN INFORMED OF PENDING DEAL FOR JOINT VENTURE QATARI-US OIL REFINERY TO BE BUILT IN UPSTATE NEW YORK. REFINERY WOULD BE 150,000 BPD AND WOULD COST DOLS 500 MILLION, OF WHICH GOQ WOULD HOLD 49 PERCENT EQUITY. IF DEAL GOES THROUGH, THIS WILL BE LARGEST SINGLE GOQ FOREIGN INVESTMENT AND COMMIT ONE THIRD OF GOQ'S CRUDE PRODUCTION TO END-USER IN US. END SUMMARY.

2. ON MORNING JULY 3, ROBERT H. CORNWELL, PRESIDENT, AND DR. ROSS ZELLA, TREASURER, OF CAN-AM OIL CO; INC; 114 SOUTH WARREN ST; SYRACUSE, NEW YORK, CALLED ON AMBASSADOR TO BRIEF HIM ON PROPOSED QATARI-US JOINT VENTURE OIL REFINERY TO BE BUILT AT WEEDSPORT, NEW YORK NEAR SYRACUSE.

3. ACCORDING CORNWELL, REFINERY WOULD HAVE CAPACITY OF 150,000 BPD WITH CRUDE SUPPLY COMING EXCLUSIVELY FROM QATAR. ESTIMATED COST OF PROJECT IS DOLS 500 MILLION, AND CONSTRUCTION TIME ESTIMATE FOUR YEARS. CORNWELL SAID THAT CAN-AM HAS ALREADY ACQUIRED ONE THOUSAND ACRE SITE NEAR WEEDSPORT, AND ALL NECESSARY CLEARANCES
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AND PERMITS FROM LOCAL AUTHORITIES TO CONSTRUCT REFINERY HAVE BEEN OBTAINED.

4. ACCORDING CORNWELL, NEGOTIATIONS WITH GOQ HAVE BEEN GOING ON FOR OVER THREE YEARS, AND PROPOSED EQUITY IS AS FOLLOWS: GOQ 49 PERCENT, CAN-AM 49 PERCENT, WITH REMAINING 2 PERCENT TO BE HELD BY "NEUTRAL" SHAREHOLDER IN POSSIBLY SWEDEN OR SWITZERLAND.

CORNWELL EXPLAINED THAT THIS EQUITY DIVISION ARRANGED FOR "POLITICAL REASONS" TO PRECLUDE EITHER QATARI OR AMERICAN CONTROL OF REFINERY. CORNWELL SHOWED ACUTE SENSITIVITY TO POSSIBLE PUBLIC RELATIONS LIABILITY OF LARGE ARAB-CONTROLLED INVESTMENT IN UPSTATE NEW YORK AREA.5.

5. CORNWELL SAID HE EXPECTED GOQ DECISION WHETHER OR NOT TO PARTICIPATE IN PROJECT WOULD BE MADE WITHIN A WEEK, OR AT LEAST SOMETIME DURING THIS MONTH. HE SAID HIS CONTACT IN GOQ IS DR. TAHIR HADIDI, WHO IS MEMBER OF BOARD OF QATAR GENERAL PETROLEUM CORP; GOQ'S UMBRELLA ENTITY FOR ITS PETROLEUM ACTIVITIES. CORNWELL STATED THAT IF GOQ DECIDES NOT RPT NOT TO PARTICIPATE, PROJECT IS DEAD.

6. CORNWELL STRESSED THAT CAN-AM DID NOT RPT NOT WANT ANY PUBLICITY ABOUT PROJECT, AND SO FAR HE HAD MANAGED TO KEEP STORY OUT OF PRESS. HE REITERATED APPREHENSION THAT PUBLICITY WOULD RAISE HUE AND CRY CONCERNING SENSITIVITY TO LARGE ARAB INVESTMENT. HE NOTED THAT PROJECT HAD BEEN DISCUSSED WITH SENATORS JAVITS AND MOYNIHAN.

7. AS BACKGROUND, CORNWELL SAID THAT PROJECT ORIGINALLY CONCEIVED WITH CANADIAN PARTICIPATION AND CANADIAN CRUDE SUPPLY, BUT THIS WENT DOWN DRAIN WHEN GOC EMBARGOED OIL EXPORTS TO US. HE NOTED WEEDSPORT SITE CAREFULLY SELECTED FOR PROXIMITY TO BARGE CANAL AND PENN CENTRAL RAILROAD. HE ALSO SAID THERE EXPANDABLE
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CAPACITY PIPELINE IN AREA RUNNING TO PHILADEPHIA WHICH COULD BE USED FOR CRUDE SUPPLY.

8. COMMENT: CORNWELL REPEATEDLY STRESSED CONFIDENTIALITY OF ABOVE INFORMATION, AND WE ASK THAT THIS BE STRICTLY RESPECTED. LOCAL SECURITY ON THIS MAJOR PROJECT PROPOSAL HAS BEEN EXCELLENT SINCE THIS IS THE FIRST WE'VE HEARD ABOUT IT. IF DEAL WORKS OUT, IT WOULD BE MOST SIGNIFICANT SINGLE QATARI INVESTMENT ABROAD AND WOULD MEAN COMMITMENT OF ABOUT ONE-THIRD OF QATARI OIL PRODUCTION TO END-USER IN US.
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